



31st August 2012

TEG SECURES FUNDING FOR £21M ORGANIC WASTE FACILITY IN DAGENHAM

Organic waste specialist The TEG Group has secured funding to construct a £21 million organic waste facility at East London's Dagenham Dock in the London Borough of Barking and Dagenham. This will include central London's first Anaerobic Digestion (AD) plant.

The new facility will be capable of processing 49,000 tonnes per annum of food and green waste via AD and In-vessel composting (IVC) technology on a 4.7 acre site on the Mayor of London's 60 acre London Sustainable Industries Park (LSIP). The Mayor has committed over £10m for infrastructure development on this site, which the TEG scheme will be the first to benefit from.

The Dagenham facility will comprise a 30,000 tonnes per annum AD plant and a 19,000 tonnes per annum IVC plant. This will be the first AD plant in central London and will generate approximately 1.4MW of electricity, sufficient to power approximately 2,000 homes. This energy will be used by the Park's tenants. It will also produce over 36,000 tonnes p.a. of AD digestate and 14,000 tonnes p.a. of compost for agricultural use. The feedstock will come from source segregated food waste and mixed food and green waste produced by local households, commercial and manufacturing enterprises.

Foresight Group funds have committed £11 million into a new Special Purpose Vehicle (SPV), TEG Biogas (London) Limited, to allow for the construction and operation of the new processing plant. The Foresight Environmental Fund (FEF) has led the project with a £9m investment. The FEF was cornerstoned by the London Green Fund (LGF), and has attracted investment from a number of private sector investors. The LGF was launched in March 2011 by the Mayor of London, Boris Johnson as part of London's drive to encourage investment into waste and energy efficiency infrastructure to create economic growth and jobs.

Foresight's UK Waste Resources and Energy Investments Fund (UKWREI) has invested £2 million in the project. UKWREI secured an additional £2m in matching private sector funding from Quercus Assets Selection SCA SICAV-SIF (an institutional fund), raising the equity investment to £13m. UKWREI is managed by Foresight who have been appointed to invest £50m on behalf of UK Green Investments – the team established within the Department for Business, Innovation and Skills to drive investment in low carbon infrastructure in preparation for the UK Green Investment Bank.

Alongside the equity investment, senior debt of £7.9m is being provided by London Waste and Recycling Board (LWARB) and Investec Bank plc. TEG's introduction to the LGF, in which LWARB originally invested £18m, came through LWARB when the project first applied to the Board's Waste Infrastructure Fund for investment.

TEG will construct and operate the plant on behalf of the SPV under an Engineering, Procurement and Construction Contract (EPC Contract), which is expected to generate approximately £16 million in revenues for TEG over the period of construction. Work is due to commence in September 2012, with completion scheduled for the first quarter of 2014.

In addition, TEG has been awarded an Operating and Maintenance Contract (O&M Contract) to operate the facility on behalf of the SPV. The O&M contract is for a 15-year term with annual revenue of approximately £1.3m per annum, escalated annually.

Mick Fishwick, CEO of TEG Group, said: *"We are delighted to have secured funding for our first major project in the South East, which is set to become a flagship operation for TEG and which will make a significant contribution to London becoming a model European city for recycling. Our first co-located AD and IVC plant became operational in Perthshire earlier this year and is testimony to our confidence in the benefits of co-located organic waste technologies. Combined AD and IVC sites offer front-end flexibility on feedstock, enabling us to process a wide variety of waste streams including food waste only, green waste only or co-mingled organic waste. In addition, they produce natural organic fertiliser for use on the land and also valuable energy from waste which is fed into the National Grid. We are looking forward to starting work at Dagenham later this summer to provide this valuable service in London by early 2014. We will be using our award winning IVC technology which is proven in the UK combined with best of breed European AD technology, manufactured in the UK."*

Business Secretary, Vince Cable, said: *"This project represents the first waste investment in the run up to the establishment of the UK Green Investment Bank and sends a clear message to the market and to potential co-investors that we are committed to investing in the UK's green infrastructure"*

The Mayor of London, Boris Johnson, said: *"This £21million investment into Dagenham is fantastic news providing new employment opportunities. TEG is also the first to start building at our new industrial park, which I have committed £10million to transform from brownfield land into an attractive space for businesses. We want the London Sustainable Industries Park to become a magnet for energy and environmental enterprises to support hundreds of new jobs."*

"It is also good news that TEG becomes London's first anaerobic digestion plant providing an innovative, environmentally friendly way to manage the city's waste, helping to cut down on costly landfill. Through the London Green Fund and Foresight, my team has worked closely with TEG to secure the finance for this plant and we are set to support more facilities of this nature across the capital working with boroughs and the London Waste and Recycling Board."

Nigel Aitchison, Partner at Foresight Group, commented: *"We have been working with TEG for several months on this project which will see 49,000 tonnes of organic waste matter from Greater London diverted from landfill every year, and will enable householders to have their organic waste put to good use. We are looking forward to making further investments, to drive both growth and job creation in this important sector in Greater London and across the UK in the very near future"*

Wayne Hubbard, Chief Operating Officer of LWARB, said: *“LWARB is very pleased to be investing its funds in this project, particularly alongside the London Green Fund. This deal is a great example of how a project that is due to operate with short term waste supply contracts can be funded. Not only will the facility divert up to 49,000 tonnes of organic household and business waste from costly landfill sites each year, it will also generate power, create jobs and contribute to economic growth.”*

James Donaldson, of Investec Bank’s Project and Infrastructure Finance team added: *“We are delighted to have signed this landmark transaction which should transform the treatment of 49,000 tonnes of London’s waste and produce renewable electricity thereby saving 16,325 tonnes of CO2 emissions per annum. Investec Bank’s Project and Infrastructure Finance team has funded several projects in the UK waste to energy sector and we look forward to funding additional suitable projects in this sector which can deliver both economic and environmental benefits.”*

Diego Biasi, Partner at Quercus Assets Selection SCA SICAV-SIF, stated: *“Quercus is delighted to have reached an agreement to invest alongside Foresight Funds and to have closed this first deal effectively. We are confident that this will be the first of a series of successful investments.”*

Simone Borla, Partner at Quercus Assets Selection SCA SICAV-SIF added: *“We are very pleased to be working in partnership with Foresight to secure a sustainable, long term solution that will divert away some 49,000 tonnes of waste a year which would otherwise go to landfill. This flagship facility will not only create new jobs but will also reduce CO2 emissions by 16,325 tonnes per year, contributing to a ‘greener’ London for many years to come.”*

Ends

Images:

A selection of high resolution images can be accessed via the following link:

http://www.theteggroup.plc.uk/dagenham_images

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Notes to editors:

About The TEG Group Plc (TEG)

TEG provides state of the art technology for handling organic wastes. Its in-vessel composting (IVC) system is one of the few approved technologies capable of treating animal by-product (ABP) waste and TEG is now providing an anaerobic digestion (AD) technology to produce power from food waste. Plant economics are predominantly driven by the gate fees charged, rather than the value of the end product (compost). The AD plants also benefit from power sales and Renewable Obligations Certificates ("ROCS") or Feed-in Tariffs ("FITs"). TEG owns its composting technology, the TEG Silo Cage System, and has an agreement with UTS Biogastechnik GmbH ("UTS") for the provision of AD technology into the UK waste markets. The TEG processes are an economic and sustainable alternative to landfill.

TEG was incorporated in the UK 1995 and its ordinary share capital was admitted to trading on AIM in July 2004. The company does not have any of its securities admitted or traded on any other exchange or trading platform.

The TEG Group Plc is the parent company with a small number of operating subsidiaries including TEG Environmental Limited and the Natural Organic Fertiliser Company (NOFCO) Limited. The TEG Group Plc is responsible for the strategic direction of the company, managing shareholder expectations, group structure and capital, corporate governance and monitoring the operating companies.

All operations are conducted in the UK.

www.theteggroup.plc.uk

About the UK Waste Resources and Energy Investments Fund

Earlier this year, UK Green Investments (UKGI), the specialist team within the Department for Business, Innovation & Skills (BIS), appointed Foresight to manage £50 million of investment by Government into small-scale waste infrastructure projects across the UK. This £2m commitment from UKWREI is the first investment made by Foresight.

About the Mayor's London Green Fund

The London Green Fund is a £100million fund comprising of £50 million from the London 2007-13 European Regional Development Fund programme, £32 million from the former London Development Agency and £18 million from the London Waste and Recycling Board. It has been designed to promote the development of a thriving low carbon economy in the capital in line with the Mayor of London, Boris Johnson's environmental and economic priorities. It consists of two smaller funds to support waste infrastructure development (launched in March 2011 managed by Foresight Group with a start-up investment of £35m from the London Green Fund) and public sector building energy efficiency projects (the London Energy Efficiency Fund led by Amber Infrastructure Limited launched in September 2011 with a start-up investment of £50m from the London Green Fund). Repayments back to the fund will be effectively recycled to support even more projects. The fund managers appointed to manage the waste and energy efficiency funds will also be required to leverage in additional money of at least £55million more. The London Green Fund has set up under the Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative that was developed by the European Commission and European Investment Bank. It was launched by the Mayor of London October in 2009 and is managed by the European Investment Bank on behalf of the London Development Agency. The waste and energy efficiency funds will be managed by independent, professional managers who will take sound commercial decisions on which projects are viable for funding.

As part of the London Green Fund, the Foresight Environmental Fund will provide investment for projects that will help utilise the massive value of London's waste through infrastructure such as power plants to convert waste biomass to clean energy and facilities for recycling waste products such as food and plastics. For example, London produces 2.6m tons of organic waste a year, which could generate revenues of around £170 million a year. The city produces an estimated 280,000 tons of plastics, much of which has ended up in landfill. But many forms of plastic are of high commercial value which could be worth £140 million a year. This represents a solid and sustainable investment opportunity to also help the city become energy efficient and cut carbon output. It is estimated that the fund's investment into waste infrastructure could generate at least 100 low carbon jobs, save 28,000 tons of carbon and divert 245,000 tons of waste from increasingly costly landfill sites.

About the London Sustainable Industries Park

Located in Dagenham, the London Sustainable Industries Park is a flagship project funded by the Mayor of London which aims to become the UK's largest concentration of environmental industries and technology companies, attracting up to 750 jobs (and up to 500 construction jobs). It is bringing new life and opportunities to a former industrial brownfield site, providing an attractive destination for businesses delivering waste to energy projects, combined heat & power schemes, recycling & reprocessing facilities and renewable energy technologies. The Mayor is committing over £10million to complete infrastructure works for the 670,000 sq ft development including roads, pedestrian and cycleways, utilities, sustainable drainage and landscaping. The site is also expected to include a decentralised heat network. The activity on the Park will also support the Mayor's climate change, waste and energy policies helping to deliver low carbon infrastructure and 'green-collar' jobs.

About Foresight

Foresight is an independent specialist private equity, infrastructure and environmental investor, which focuses primarily on investments in unquoted UK and European companies or projects.

Foresight has in excess of £670 million assets under management across a number of funds, including Institutional Limited Partnerships, Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs).

FEF, a £60 million fund, cornerstoned by the London Green Fund, was launched in March 2011 by the Mayor of London, Boris Johnson, and is part of London's drive towards becoming a world leading low carbon city. FEF seeks to finance waste management and recycling facilities to support sustainable and carbon neutral economic growth. The Fund's investment programme has the potential to divert over 1.4 million tonnes of municipal, commercial and other waste from landfill each year, reducing annual greenhouse gas emissions by nearly 1 million tonnes CO₂ and creating new jobs in London.

Foresight has had a strategic focus on the waste and environmental sector since 2006 and in that time has assembled one of the most experienced technical and commercial teams in the market.

www.foresightgroup.eu

About LWARB

The London Waste and Recycling Board (LWARB), chaired by Richard Tracey, Assembly Member, working in conjunction with the Mayor of London and London Councils, has a budget made up of money from the Department for Environment, Food and Rural Affairs (DEFRA) to improve waste management in the capital. For more information on LWARB visit www.lwarb.gov.uk

About Investec Bank plc

Investec is an international, specialist banking group providing a diverse range of financial products and services to a client base in three principal markets, the United Kingdom, South Africa and Australia, as well as certain other geographies. For more information visit www.investec.com.

Investec Project and Infrastructure Finance advises, structures, arranges and provides financing options across a wide range of specialist infrastructure sectors. A global team of over 50 dedicated staff specialises in PPP and PFI projects in the transport and social infrastructure sectors, as well as power and telecoms transactions. The team is part of Investec's Capital Markets division.

About Quercus Assets Selection SCA SICAV-SIF

Quercus Assets Selection is a Luxembourg based management company specialized in Private Equity investments. The company was founded in 2010 by Simone Borla and Diego Biasi in partnership with Giuseppe Stefanel, the controlling shareholder of Milan listed Stefanel Group. Quercus manages different Luxembourg based SICAV-SIFs regulated by the CSSF whose core business is to invest in renewable energy projects across Europe. The Funds currently have an interest in 15 Solar plants for circa 100MW of power representing a total investment of approximately Eur 300Mn and has a pipeline of over 50MW of projects to be completed before year end. Quercus Assets Selection is part of a larger group including London based Quercus Investment Partners LLP, an FSA regulated firm offering amongst other things advisory services to Institutional clients.